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USDOE FOR PERSON

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TAGS: PREL EPET ENRG TU IZ
SUBJECT: IRAQ ATTENDING ISTANBUL TRILATERAL GAS TALKS;
WANTS MEETINGS COMBINED

REF: A. BAGHDAD 3241
 1B. ANKARA 1680

Classified By: EMIN Ambassador Marc Wall, reasons 1.4(b,d)

¶1. (C) Oil Minister Husayn al-Shahristani assured EMIN Wall October 6 that a Ministry of Oil (MOO) Director General would attend the October 12 U.S.-Turkey-Iraq trilateral meeting on natural gas in Istanbul. He noted that, in general, the process of consultations with Turkey needed to be streamlined. GoI officials seemed to be in meetings with Turkish participation nearly every second month, even though subjects for discussion were not that extensive. In addition to the tripartite gas talks that coordinated Iraq's natural gas supplies to Turkey, Shahristani listed several other regular meetings -- one with Turkey, Syria, and the EU on the Arab Gas Pipeline; another meeting among Iraq, Turkey, Iran, and Syria; and the Neighbors' Process Working Group on Energy. These discussions somehow need to be combined into one platform, Shahristani commented.

¶2. (C) Reviewing the list, Shahristani observed that Iraq's bilateral issues with Turkey seemed largely resolved.

-- Turkish company TPAO had been qualified to participate in a first licensing round (note: which includes the Akkaz and Mansuriya gas fields, ref A), although TPAO did not have the capability to develop the fields by itself, so would be encouraged to partner with a major international oil company.

-- Furthermore, Iraq's refined petroleum product imports from Turkey had been suspended in 2007, due to corruption in the Kurdistan Regional Government, which had led to demands for Iraq to pay for product that had not been delivered. In 2009, Shahristani said he hoped that there would no longer be any need to import refined product from Turkey.

-- Finally, Iraqi exports of heavy fuel oil (HFO) to Turkey were proceeding satisfactorily, with any issues simple contractual matters between Turkey and the State Oil Marketing Organization (SOMO).

¶3. (C) Shahristani said he understood European and U.S. interest in having Iraq supply natural gas to Europe. He supported such a project, so that Iraq could benefit both commercially and politically. First, however, Iraq had to develop its natural gas supplies, which was why he had put the Akkaz natural gas field into the first bidding round. Otherwise, Iraq had no pressing need of its own to develop the field, since it was in a desert area with a low population and no particular need for electricity generation.

(Note: An additional motivation to develop the field is PM Maliki's agreement with Syria to supply the field's gas to Syria. End note.)

¶4. (C) Comment: We understand now that Oil Pipeline Company Director General Salah Aziz Karim will attend the trilateral,

as might State Oil Marketing Organization Director General Falah al-Amiry. At the MoO working level and despite Shahristani's polite language, we have heard that Shahristani has told his subordinates the trilateral should instead become an Iraq-Turkey bilateral meeting. We recommend Washington consider replacing the trilateral with a broader gas forum that could include the U.S., the EU, Turkey and a number of Iraq's other neighbors. End comment.

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